

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 4519

INFO /AMEMBASSY BELGRADE 1563

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

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TAGS: ECON, EALR, ENRG, HU, XH

SUBJ: JANUARY 1 PRICE INCREASES: AGRICULTURE AND ENERGY

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C: BUDAPEST 3194

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1. THEREFERENCED TELEGRAMS OUTLINE GOH PLANS TO INCREASE
PRODUCER PRICES JANUARY 1. REF B LISTS SPECIFIC INCREASES
PLANNED FOR AGRICULTURAL SECTOR.

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2. RECENT PRESS ARTICLES REPORT THAT THE NET EFFECT IN

THE AGRICULTURAL SECTOR WILL BE TO INCREASE THE PRICE LEVEL OF FARM PRODUCTS BY ABOUT 8 PERCENT; HOW MUCH OF THIS WILL BE PASSED ON TO THE CONSUMER REMAINS TO BE SEEN.

3. IN ADDITION, FUEL AND HEATING OIL AND NATURAL GAS PRICES WILL REPORTEDLY RISE 25-35 PERCENT; COAL AND ELECTRICITY PRICES WILL INCREASE 15-20 PERCENT. THESE INCREASES WILL NOT BE SUBSIDIZED. NEW (AND OLD) PRICE PROPORTIONS ARE AS FOLLOWS:

	OLD	NEW
COAL	-	1.00 1.00
NATURAL GAS	-	1.40 1.75
HEATING OIL	-	1.50 1.59

THE NET RESULT IS TO INCREASE THE COST OF NATURAL GAS AND PETROLEUM PRODUCTS RELATIVE TO COAL. THIS CONSISTENT WITH GOH INTENTION TO UTILIZE RELATIVELY MORE COAL.

4. HOWEVER, COAL PRODUCTION IN THE SECOND AND THIRD QUARTERS OF 1975 WAS RUNNING AT BETWEEN 71 AND 88 PERCENT OF THE 1974 LEVEL. NOT ONLY WAS TOTAL PRODUCTION DOWN; QUALITY (BTU OUTPUT) OF THE COAL ALSO DECLINED. SINCE DOMESTIC CRUDE AND NATURAL GAS PRODUCTION HAS REMAINED ABOUT LEVEL, THE RESULT HAS BEEN AN INCREASED DEMAND FOR ENERGY IMPORTS OF OVER 20 PERCENT. MOST OF THIS INCREASE, ACCORDING TO PRELIMINARY STATISTICS, HAS BEEN IN NATURAL GAS.

5. IT IS PLANNED THAT 47 PERCENT OF HUNGARY'S ENERGY REQUIREMENTS IN 1980 WILL COME FROM SOVIET UNION, UP FROM 40 PERCENT THIS YEAR (HUNGARY IMPORTS ROUGHLY 60 PERCENT OF ITS ENERGY AND ENERGY MATERIALS FROM SOCIALIST COUNTRIES). ONE SOURCE HAS INDICATED THAT CRUDE OIL IMPORTS FROM THE USSR ARE SCHEDULED TO RISE 33 PERCENT BY 1980, TO ABOUT 8 MILLION TONS PER YEAR. SINCE TOTAL IMPORTS OF ENERGY AND ENERGY MATERIALS FROM THE SOVIET UNION ARE TO INCREASE 60 PERCENT DURING THE NEXT FIVE YEARS (REF D), A LARGE SHARE OF HUNGARY'S IMPORTED ENERGY FROM THE USSR WILL HAVE TO COME FROM NATURAL GAS AND CEMA ELECTRIFICATION
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PROJECTS; IN ADDITION, SOME OF HUNGARY'S HIGHER ENERGY DEMANDS WILL PROBABLY BE MET FROM INCREASED COAL SHIPMENTS FROM EAST GERMANY, CZECHOSLOVAKIA AND POLAND.
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